

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION
LOK SABHA**

UNSTARRED QUESTION NO:2293
ANSWERED ON:09.03.2000
SUBSIDY ON FOOD
NAMDEO HARBAJI DIWATHE

Will the Minister of CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION be pleased to state:

- (a) whether the subsidy on food is ballooning over recent year mainly due to higher administrative and operating cost of Food Corporation of India;
- (b) if so, the details thereof; and
- (c) the steps taken/proposed to be taken to reduce food subsidy-operating administrative cost of FCI?

Answer

MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION

(SHRI SRIRAM CHAUHAN)

(a) & (b) : Food subsidy is increasing mainly due to non-neutralisation of increase in MSP by corresponding increase in the CIP since February, 1994 except a marginal adjustment in prices when TPDS was introduced since 1st June, 1997. Though the CIP in respect of rice and wheat has been increased w.e.f. 29.01.1999 for APL families only, a further upward revision of CIP on wheat for APL population was made effective from 01.04.1999. Other reasons for increase in subsidy are :-

- (i) Higher level of buffer-stocks due to higher level of procurement and relatively lower offtake;
 - (ii) Increase in freight rates;
 - (iii) Progressive departmentalisation of labour;
 - (iv) Progressive switching over to 50 kg. packing;
 - (v) Statutory charges around 10% levied by State Governments payable ad-valorem on increased MSP.
- (c) Following important steps have been/are being taken by FCI to reduce Subsidy-operating administrative cost :-

- (i) Making efforts to achieve average capacity utilisation of 75% to reduce storage cost even though the procurement of grain is seasonal,
- (ii) Making efforts to adhere to procurement and movement ratio norm of 1:1.35 as fixed by the Government of India to reduce the expenditure on freight,
- (iii) Making continuous efforts to reduce shortage in handling of foodgrains,
- (iv) Making efforts to reduce the incurrence of Railway demurrage charges,
- (v) Releasing stocks in the open market at prices above the CIP,
- (vi) Controlling the administrative cost by following minimum recruitment of resultant entry level posts irrespective of the increased volume of operations,
- (vii) Trying to have a look at the economic cost,
- (viii) Efforts to reduce damages,
- (ix) Efforts to find ways for focusing PDS on poorest of the poor.

